

Appendix F Repetitive Loss

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F.1 Repetitive Loss Properties

The number of flood policies written under the National Flood Insurance Program (NFIP) is approaching five million. Most of the program's policyholders live in the areas of the United States of America that are most prone to flooding: coastal and riverfront property.

Flooding, being a catastrophic peril, results in substantial loss whenever and wherever it occurs. Although flood coverage is provided by the federal government, it is still critical that resources used to respond to losses be used carefully. Throughout its history, the NFIP has been seriously affected by the level of loss payments it has made more than once to repair or replace certain properties. These properties are called Repetitive Loss properties (RL) and they represent both a severity and a frequency exposure to the NFIP.

In a 2005 study by the Congressional Research Service (a branch of the library of Congress), it was reported that, over the life of the NFIP program, 1% of the NFIP policies represented RLPs and that group accounted for 30% of the program's losses. The study also identified several major contributors to RLPs including:

- RL properties typically involve older properties that received grandfathering. In other words, NFIP flood mitigation rules and requirements don't apply to such structures since they existed prior to the establishment of the programs. The premiums charged for such properties are heavily subsidized rates.
- RL properties that suffer only partial losses (less than 50% of their value) do not have to be rebuilt according to floodplain management standards that apply to "substantially damaged" properties. Therefore, their vulnerability to future flood losses is maintained. This creates both a severity and a frequency problem.

Several years ago, the NFIP instituted a program to specifically address the disproportional exposures caused by RLs. The program now has established a set of procedures to handle them and, logically, it is called "Special Procedures for Targeted Repetitive Loss Properties". The NFIP, through careful study of its loss data, identified roughly 11,000 properties. The properties, because of their high loss exposure, are designated as Repetitive Loss Properties (RL). The properties consist of a group that meets one of the following criteria:

- The property has received at least four loss payments exceeding \$1,000

- The property has experienced two losses within any ten-year period and the total payment exceeds that property's current value
- The property had, in its history (since 1978), three or more loss payments that, collectively, exceed the property's current value.

A subset of these designated properties is known as Severe Repetitive Loss (SRL). The definition of severe repetitive loss as applied to this program was established in section 1361A of the National Flood Insurance Act, as amended (NFIA), 42 U.S.C. 4102a. An SRL property is defined as a **residential property** that is covered under an NFIP flood insurance policy and:

- (a) That has at least four NFIP claim payments (including building and contents) over \$5,000 each, and the cumulative amount of such claims payments exceeds \$20,000; or
- (b) For which at least two separate claims payments (building payments only) have been made with the cumulative amount of the building portion of such claims exceeding the market value of the building.

For both (a) and (b) above, at least two of the referenced claims must have occurred within any ten-year period, and must be greater than 10 days apart.

F.2 City of Galveston's Repetitive Loss Property Listing

Within its jurisdiction, the City of Galveston contains 443 Repetitive Loss Properties. Table F.2-1 lists these properties, their designated Special Flood Hazard Area zone, and indicates if the properties have been mitigated. This list is current as of February 2010.

This property listing was used to generate the maps showing Repetitive Loss Properties found in Sections 6 and 7 of the Plan.

*Note: The information in Table F.2-1 is protected by the **Privacy Act of 1974**, 5 U.S.C. § 552a, Public Law No. 93-579, (Dec. 31, 1974), and is redacted from public versions of this Plan.*

F.3 The City of Galveston's Flood Damage Prevention Ordinance

The City of Galveston adopted NFIP's model flood damage prevention ordinance. As this Plan was being developed, the City was considering modifications to the ordinance that would prevent additional flood damages. Modifications under consideration include:

- Adoption of a cumulative substantial damage/improvement provision.
- Adoption of a freeboard requirement for all new or substantially damaged/improved construction.